EXHIBIT LIST

Exhibit

1. AD/CVD Measures Have Dramatically Reduced Imports

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EXHIBIT 1

AD/CVD Measures Have Dramatically Reduced Imports

AD/CVD Measures Have Dramatically Reduced Imports

Cut-to-Length Plate (1999 investigation)

	Import Volume (Short Tons)		
	12 months prior to case	12 months following Prelim. AD duties	Percentage Change
Subject Countries	1,011,567	216,565	-78.59%

Hot-Rolled Steel

	Import Volume (Short Tons)		
	12 months prior to case	12 months following Prelim. AD duties	Percentage Change
Subject Countries (1999 case)	5,935,539	107,383	-98.19%
Subject Countries (2000 case)	2,851,008	139,917	-95.09%

* Note: Hot-rolled duties in effective since July 2000; import statistics annualized

Cut-to-Length Plate (1999 investigation)

	Import Volume (Short Tons)		
	12 months prior to case	12 months following Prelim. AD duties	Percentage Change
France	72,010	19,291	-73.21%
India	110,496	145	-99.87%
Indonesia	177,051	39	-99.98%
Italy	86,940	1,908	-97.81%
Japan	199,365	15,799	-92.08%
Korea	365,705	179,383	-50.95%
Subject Countries	1,011,567	216,565	-78.59%

Hot-Rolled Steel

	Import Volume (Short Tons)		
	12 months prior to case	12 months following Prelim. AD duties	Percentage Change
1999 case			
Brazil	438,682	18,822	-95.71%
Japan	2,242,365	40,154	-98.21%
Russia	3,254,493	48,408	-98.51%
Subject Countries (1999 case)	5,935,539	107,383	-98.19%
2000 case			
Argentina	102,140	0	-100.00%
China	412,025	58,531	-85.79%
Kazakhstan	110,116	0	-100.00%
Netherlands	508,128	0	-100.00%
Romania	323,399	21,860	-93.24%
South Africa	170,167	7,665	-95.50%
Taiwan	463,003	0	-100.00%
Thailand	40,385	2,862	-92.91%
Ukraine	57,456	48,967	-14.77%
India	417,781	31	-99.99%
Indonesia	246,407	0	-100.00%
Subject Countries (2000 case)	2,851,008	139,917	-95.09%

* Note: Hot-rolled duties in effective since July 2000; import statistics annualized

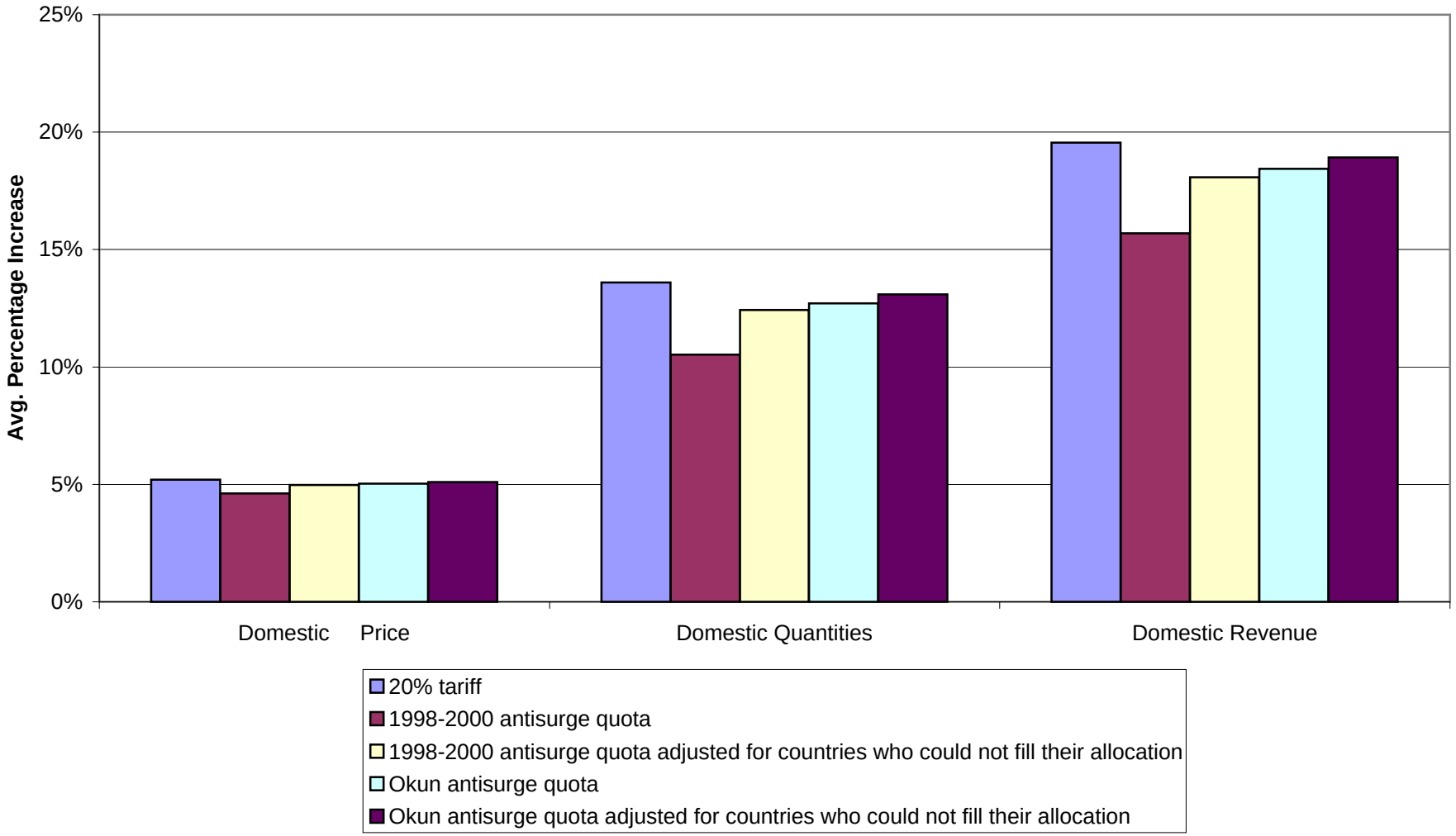
Source: Department of Commerce, Bureau of Import Statistics

EXHIBIT 2

COMPAS Economic Analysis Comparing Anti-Surge Quota and Tariff Remedies Over Three Year Remedy Period

Over 3 years remedy period, antisurge quota provides all the benefit of 20% tariff with no downside risk of being excessively protective

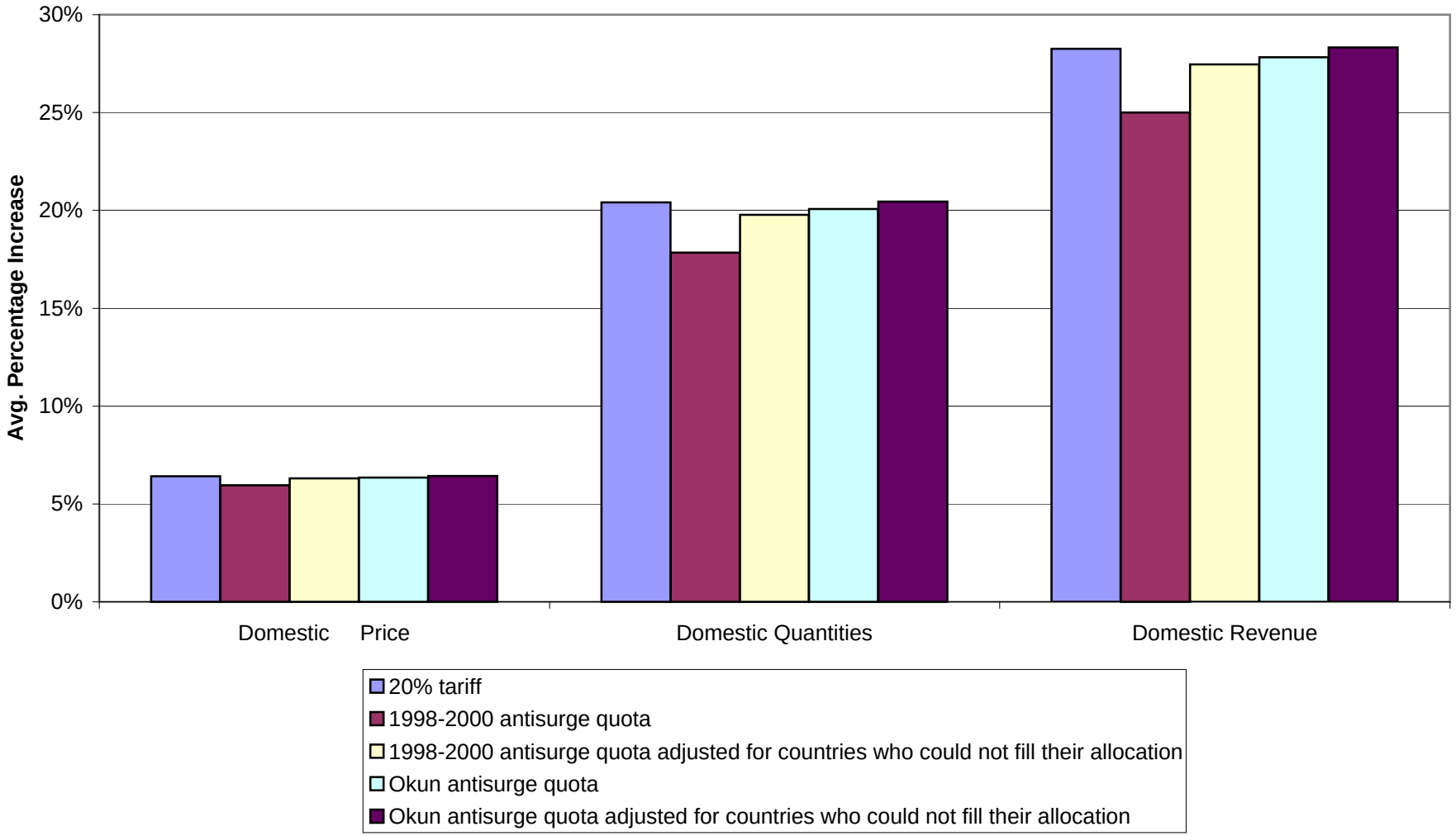
(12.1% capacity reduction, 6.4% average annual increase demand)



COMPAS model using midpoint of USITC elasticity estimates; analysis assumes 12.1% reduction in domestic capacity and 6.4% average annual increase in demand

Over 3 years remedy period, antisurge quota provides all the benefit of 20% tariff with no downside risk of being excessively protective

(12.1% capacity reduction, 10% average annual increase demand)



COMPAS model using midpoint of USITC elasticity estimates; analysis assumes 12.1% reduction in domestic capacity and 10% average annual increase in demand

Comparing Alternative Remedies
Year 1

	Domestic Price	Domestic Quantities	Domestic Revenue	Consumer Cost relative to Producer Benefit
20% tariff				
No capacity change and no demand change	0.7%	3.1%	3.9%	-2.62
12.1% capacity reduction & 6.4% annual increase demand	4.1%	7.5%	11.9%	-1.31
12.1% capacity reduction & 10% annual increase demand	4.7%	10.7%	15.9%	-1.28
1998-2000 antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	3.4%	4.0%	7.5%	-1.04
12.1% capacity reduction & 10% annual increase demand	4.0%	7.3%	11.7%	-1.06
1998-2000 antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	3.7%	5.9%	9.8%	-1.20
12.1% capacity reduction & 10% annual increase demand	4.4%	9.3%	14.1%	-1.20
Okun antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	3.8%	6.1%	10.2%	-1.22
12.1% capacity reduction & 10% annual increase demand	4.5%	9.6%	14.5%	-1.21
Okun antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	3.9%	6.5%	10.6%	-1.25
12.1% capacity reduction & 10% annual increase demand	4.5%	10.0%	14.9%	-1.24

NOTE: Welfare cost is ratio of consumer cost to producer gain. For example, a cost of 2.62 means the consumer cost of the USITC's 20% tariff is 2.62 times greater than the gain accruing to domestic steel producers.

Comparing Alternative Remedies
Year 2

	Domestic Price	Domestic Quantities	Domestic Revenue	Consumer Cost relative to Producer Benefit
20% tariff				
No capacity change and no demand change	0.7%	3.1%	3.9%	-2.62
12.1% capacity reduction & 6.4% annual increase demand	5.2%	13.5%	19.4%	-1.26
12.1% capacity reduction & 10% annual increase demand	6.4%	20.2%	27.9%	-1.22
1998-2000 antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	4.6%	10.4%	15.5%	-1.08
12.1% capacity reduction & 10% annual increase demand	6.0%	17.6%	24.6%	-1.11
1998-2000 antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	5.0%	12.3%	17.9%	-1.20
12.1% capacity reduction & 10% annual increase demand	6.3%	19.6%	27.1%	-1.20
Okun antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	5.0%	12.6%	18.3%	-1.21
12.1% capacity reduction & 10% annual increase demand	6.4%	19.9%	27.5%	-1.21
Okun antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	5.1%	13.0%	18.7%	-1.23
12.1% capacity reduction & 10% annual increase demand	6.4%	20.2%	28.0%	-1.22

NOTE: Welfare cost is ratio of consumer cost to producer gain. For example, a cost of 2.62 means the consumer cost of the USITC's 20% tariff is 2.62 times greater than the gain accruing to domestic steel producers.

Comparing Alternative Remedies
Year 3

	Domestic Price	Domestic Quantities	Domestic Revenue	Consumer Cost relative to Producer Benefit
20% tariff				
No capacity change and no demand change	0.7%	3.1%	3.9%	-2.62
12.1% capacity reduction & 6.4% annual increase demand	6.3%	19.8%	27.4%	-1.22
12.1% capacity reduction & 10% annual increase demand	8.2%	30.3%	41.0%	-1.19
1998-2000 antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	5.9%	17.2%	24.1%	-1.11
12.1% capacity reduction & 10% annual increase demand	7.9%	28.6%	38.7%	-1.14
1998-2000 antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	6.2%	19.1%	26.5%	-1.20
12.1% capacity reduction & 10% annual increase demand	8.2%	30.5%	41.2%	-1.19
Okun antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	6.3%	19.4%	26.9%	-1.21
12.1% capacity reduction & 10% annual increase demand	8.3%	30.8%	41.6%	-1.20
Okun antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	6.3%	19.8%	27.4%	-1.22
12.1% capacity reduction & 10% annual increase demand	8.3%	31.2%	42.1%	-1.21

NOTE: Welfare cost is ratio of consumer cost to producer gain. For example, a cost of 2.62 means the consumer cost of the USITC's 20% tariff is 2.62 times greater than the gain accruing to domestic steel producers.

Comparing Alternative Remedies
Avg Impact Over 3 Year Period

	Domestic Price	Domestic Quantities	Domestic Revenue	Consumer Cost relative to Producer Benefit
20% tariff				
No capacity change and no demand change	0.7%	3.1%	3.9%	-2.62
12.1% capacity reduction & 6.4% annual increase demand	5.2%	13.6%	19.5%	-1.26
12.1% capacity reduction & 10% annual increase demand	6.4%	20.4%	28.3%	-1.23
1998-2000 antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	4.6%	10.5%	15.7%	-1.08
12.1% capacity reduction & 10% annual increase demand	6.0%	17.8%	25.0%	-1.10
1998-2000 antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	5.0%	12.4%	18.1%	-1.20
12.1% capacity reduction & 10% annual increase demand	6.3%	19.8%	27.5%	-1.19
Okun antisurge quota				
12.1% capacity reduction & 6.4% annual increase demand	5.0%	12.7%	18.4%	-1.21
12.1% capacity reduction & 10% annual increase demand	6.4%	20.1%	27.8%	-1.21
Okun antisurge quota adjusted for countries who could not fill their allocation				
12.1% capacity reduction & 6.4% annual increase demand	5.1%	13.1%	18.9%	-1.23
12.1% capacity reduction & 10% annual increase demand	6.4%	20.5%	28.3%	-1.22

NOTE: Welfare cost is ratio of consumer cost to producer gain. For example, a cost of 2.62 means the consumer cost of the USITC's 20% tariff is 2.62 times greater than the gain accruing to domestic steel producers.

Summary Comparison
COMPAS Predicted Impact Over 3 Year Remedy Period
Percentage Impact As Compared with 20% Tariff

Assume 12.1% capacity reduction & 6.4% avg. annual increase in demand

	Domestic Price	Domestic Quantities	Domestic Revenue
1998-2000 antisurge quota	89%	77%	80%
1998-2000 antisurge quota adjusted for countries who could not fill their allocation	96%	91%	92%
Okun antisurge quota	97%	93%	94%
Okun antisurge quota adjusted for countries who could not fill their allocation	98%	96%	97%

Assume 12.1% capacity reduction & 10% avg. annual increase in demand

	Domestic Price	Domestic Quantities	Domestic Revenue
1998-2000 antisurge quota	93%	87%	88%
1998-2000 antisurge quota adjusted for countries who could not fill their allocation	98%	97%	97%
Okun antisurge quota	99%	98%	98%
Okun antisurge quota adjusted for countries who could not fill their allocation	100%	100%	100%

EXHIBIT 3

Domestic Producers Told the ITC that Import Volumes Have Been the Problem

Domestic Producers Stressed the Harmful Impact of Import Volume During the ITC's Investigation

Domestic producers testified at the ITC's remedy hearing that their serious injury had been inflicted by import surges in 1998 and 2000, consistent with their briefs and testimony during the injury phase:

- "{T}he import ***surges*** beginning in 1998 devastated the operating performance of the flat-rolled industry from a pre-crisis annual positive level of nearly $1.4 billion to a current negative level of $1.4 billion for six months."[1]

- "The most daunting obstacle to recovery for Bethlehem and the rest of the industry is the severely depressed level of prices for flat-rolled steel products caused by the repeated ***surges*** of imports that have swamped the U.S. market over the last few years."[2]

- "{O}ur first concern is dealing with our creditors and finding a way to alleviate impediments to financing our operations that have arisen as a result of successive waves of import ***surges***."[3]

- "A comparison of current import price offers with pre-1998 import ***surge*** prices show a decline of over $125 per ton."[4]

- "{U}nless there is a reduction in global steel overcapacity steel imports will continue to ***surge*** and distort the domestic market and continue to injure domestic producers."[5]

- "So I think the question of the injury and the ***surges*** of imports is separate from how we keep our internal house in order, how efficient is it."[6]

Mr. Usher, Chairman and CEO of U.S. Steel, claimed during the second day of the injury phase hearings that it is the "somewhat unlimited" quantity of imports available that makes meeting

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1 ITC Remedy Tr. at 76 (Mr. Wolff) (emphasis added).

2 *Id*. at 86 (Mr. Miller, Bethlehem Steel) (emphasis added).

3 *Id*. at 87 (Mr. Miller, Bethlehem Steel) (emphasis added).

4 *Id*. at 93 (Mr. DiMicco, Nucor) (emphasis added).

5 *Id*. at 107 (Mr. Gerard, USW) (emphasis added).

6 *Id*. at 179 (Mr. Philipps, IPSCO) (emphasis added).

import competition so difficult.[7] If unlimited quantities of foreign steel threaten unpredictable increases in import volume, then an anti-surge quota would be able to prevent this problem over the remedy period.

[7] *See* Injury Hr. Tr. at 439-441 ("One of the key factors as it relates to Nucor is we know that when we decide whether to meet that price or not to get that order ... a certain amount of Nucor capacity has gone away now ... That is totally different than when someone comes in and says we have an offer that we need to meet from foreign competition because that amount of steel that is out there from the imports."); *id*. at 528-29 ("When Bethlehem Steel commits to a certain contract with General Motors, there is a certain amount of galvanized steel, which will no longer be available there for them to commit to other customers ... That type of decision is completely different than when we are making decisions vis-à-vis imports because the imports are somewhat unlimited."). *See also id.* at 1007-8 (Mr. Althoff) ("What we need is a period of comprehensive relief from surges on all flat-rolled products … The process goes like this: surge, prices drop."); *id*. at 216-217 (Mr. Girard) ("… it is a volume problem across all categories … surges in import volumes correspond with steep destruction of price and employment … So they are really volume issues that have destroyed the price.").

EXHIBIT 4

Steel Consuming Manufacturers Would Be Devastated By Even a Small Increase In Steel Prices

Steel Consuming Manufacturers Would Be Devastated By Even a Small Increase In Steel Prices

The Commission heard ample testimony from end users that even a small increase in domestic steel prices would render them globally uncompetitive, sending sales and ultimately jobs abroad. Although steel may represent a small portion of the cost of manufacturing an automobile or household appliance, the same cannot be said for many of the parts that go into automobiles and appliances. Al Suter, retired vice chairman and chief operating officer of Emerson Electric, testified that for parts manufacturers like Emerson Electric, steel "is only one of the cost factors involved. But in many cases, it is the largest single element of cost."[1] Bill Sopko of Stamco Industries testified that metal stampers such as his company "rely on steel as our major input."[2] Auto or appliance parts stamped out of steel will necessarily possess a large steel cost component. Consequently, even a small increase in the price of steel would substantially raise costs for these end users, especially relative to their foreign competitors, which already enjoy far lower steel prices.

At the hearing, representatives of company after company confirmed that even a small increase in steel prices would render them globally uncompetitive, putting them out of business. Mr. Suter testified that Emerson Electric has already lost significant market share to foreign competitors, in part due to domestic steel prices up to $100 per ton higher than prices in other countries, and that any further increase in the price of domestic steel would simply place his company, and others like it, at an even greater disadvantage.[3]

On behalf of the entire Precision Metalforming Association, Mark Erickson testified:

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1 Remedy Hr. Tr. at 279.

2 *Id*. at 282.

3 *Id*. at 279-280.

> "***High steel tariffs will hand an unbeatable advantage to our foreign competitors.*** They will be able to meet U.S. customers' needs with world-class quality and globally competitive prices. I cannot understand how the U.S. steel producers can possibly think their plan will work. Many steel users will migrate offshore, and others will lose business to foreign competitors. If anything, domestic demand for steel will decline. ***Steel import restrictions will steal jobs.***"[4]

Jim Zawacki of GR Spring & Stamping testified:

> "As a supplier to the automotive and appliance industry, I can tell you that cost increases cannot be passed on to my customers. They will look for other suppliers that can give them the parts they require without raising prices and they will find those suppliers, whether here or abroad. ***If tariffs or quotas increase cost, I cannot pass them on and I cannot afford to absorb them. They'll run my margins negative and put my company on the road to ruin.***"[5]

Mr. Sopko of Stampco requested that the Commission "consider that steel prices in the United States must remain globally competitive or the result will be catastrophic for businesses, including mine, because we rely on steel as our major input." Given already lower steel prices abroad, he continued, "An import remedy that raises steel prices here without addressing global conditions will destroy thousands of U.S. jobs."[6]

Mr. Scrimo, general manager of U.S. Can, testified that increased tin mill product prices would not render can manufacturers internationally uncompetitive so much as uncompetitive against packaging made of alternative materials:

> "Steel packaging of all types is under intense competition, alternative forms of packaging. In the food industry, volume is being eroded with tuna in a pouch. Steel juice containers have been converted to plastic jugs and paper cartons. In aerosol, paint and general line containers, we have seen steel cans replaced by plastic pump sprays, aluminum containers, and plastic products. ***A significant increase in the cost of tin plate and, consequently, steel cans would result, in my view, in the migration of a significant segment of steel packaging to***

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4 *Id*. at 281 (emphasis added).

5 *Id*. at 281-282 (emphasis added).

6 *Id*. at 283.

> ***alternative packaging...*** We believe that a cost difference of as little as two to three percent would lead customers to switch."[7]

In this way, a tariff remedy on tin mill product imports -- despite the fact that the domestic tin mill products industry has already made a positive adjustment to import competition[8] -- would hurt the industry more than help it by accelerating the long term trend away from steel containers.

The end users represented by these witnesses are not bit players in the domestic steel market, but among the biggest players. Metal forming companies account for one quarter of domestic steel consumption[9] and metal consuming industries employ 57 times as many workers as the domestic steel industry.[10] Metal stampers alone -- the end users most sensitive to steel prices -- employ twice as many workers as the entire steel industry.[11] The strong dollar and weak economy has only made the large automotive and appliance customers of these companies even more sensitive to price, and even more inclined to shift sourcing abroad rather than accept the pass through of higher steel prices. Whether high tariffs increase domestic steel prices one percent or ten percent, any increase would cost thousands of jobs in the steel consuming

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7 *Id*. at 297 (emphasis added).

8 *See* Remedy Hr. Tr. at 179 (Mr. Walker, Weirton Steel)(" I want to talk specifically about tin mill products because in the U.S., supply and demand are very balanced. Today, they're almost equal to one another because tin mill plate products have gone through a rationalization over the last several years.").

9 *See* Remedy Hr. Tr. at 280 (Mr. Erickson) ("Metalformers process about one-fourth of all the steel produced in North America.")

10 *Id*. at 277 (Mr. Jenson)("There are 57 times as many U.S. workers in steel consuming industries as in steel production.").

11 *Id*. at 282 (Mr. Zawacki) ("Most metal stampers are relatively small, privately-held companies. Collectively through our industry employs over 300,000 people. The burden of higher steel prices will fall largely on the small companies.").

industries with little or no benefit to the domestic steel industry’s bottom line or unemployed steel workers.

EXHIBIT 5

Steel Bankruptcies: The Real Story

Steel Bankruptcies: The Real Story

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Most Steel Industry Bankruptcies Resulted from Factors Wholly Unrelated To Imports, and Portend a Stronger Domestic Industry, Absolved of Past Mistakes

Since 1998, the steel industry has maintained a constant drumbeat over steel company bankruptcies, brandishing them in various public fora as the bitter fruit of import competition. Petitioners and their supporters in the avalanche of recent antidumping and countervailing duty cases would have the Commission believe that the relationship between bankruptcies and imports is axiomatic.[1] The USWA in its "factual submission" of August 23, 2001 asserts that "{s}ince 1997, the surge in imports of steel mill products has devastated the U.S. steel industry, leaving in its wake...23 steel companies that have filed for bankruptcy....'[2] Even USTR Robert B. Zoellick, in his letter requesting the initiation of this investigation, states that as a result of "a 50 year legacy of foreign government intervention in their markets and direct financial support of their steel industries...many firms have sought bankruptcy protection."[3]

Even a cursory review of the facts surrounding recent steel producer bankruptcies, however, reveals that this article of faith -- bankruptcies inevitably result from imports -- is a

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1 *See, e.g.* Hearing *Transcript, Hot-Rolled Steel From Brazil, Japan, and Russia*, Inv. No. 701-TA-384, 731-TA-806-808 (F), May 4, 1999, at 11(Senator Spector) ("...three steel companies have recently gone into bankruptcy..."), 23 (Alan Wolff) ("Three companies declared bankruptcy."), 79 (George Becker)("And we have bankruptcies now."), 135 (Roger Schagrin)(" Of the seven petitioners...I represent in this investigation...one has filed for bankruptcy, another has recently missed a bond interest payment, which is likely to lead to bankruptcy."); *see also* Hearing Transcript, *Hot-Rolled Steel Products from Argentina, China, India, Indonesia, Kazakhstan, The Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine*, Inv. Nos. 701-TA-404-408 and 731-TA-898-908, July 17, 2001 ("Hot-Rolled Steel Products Transcript") at 24 (Rep. Visclosky)("... 33,380 U.S. citizens, who now also happen to work for companies that are in bankruptcy and who have gone into bankruptcy from just November of last year."), 26 (Rep. Quinn)("Eighteen steel companies have filed for bankruptcy since the beginning of 1998 alone."), 44 (James Hecht) ("...two of the largest domestic producers, among many others, have been forced into bankruptcy.").

2 Factual Submission of USWA (Public Version), August 23, 2001, at 9.

3 Petition filed by Robert B. Zoellick, June 22, 2001, at 1.

simple post hoc ergo propter hoc fallacy. Most of these companies were hobbled by too much debt, mechanical failures, often from balky new equipment, or a combination of the two. While they were declaring bankruptcy, Nucor and Steel Dynamics, Inc., major domestic producers of flat-rolled and long carbon steel products, were reporting robust and increasing operating profits in the range of 10 to 15 percent of sales.[4] What distinguishes the two sets of companies is not import competition but the quality of management. The following sections summarize the circumstances surrounding most bankruptcies in the steel industry, based on bankruptcy filings and trade press articles.

Gulf States Steel

Gulf States Steel's bankruptcy on July 1, 1999 resulted from three major problems having nothing to do with imports: high interest junk bond financing; antiquated equipment; and, worst of all, two new minimill competitors within a stone's throw of the mill. The business press has reported that the company was sunk by the enormous debt assumed when Watermill Ventures purchased the mill in 1995 through the sale of $190 million in high interest junk bonds, requiring $28 million in annual interest payments.[5] The USWA itself has attributed the bankruptcy primarily to this crushing debt, noting that the buyout had left the company "one of the

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[4] Nucor reported profits of $415.3 million in 1998, or 10.0 percent of sales, $379.2 million in 1999, or 9.5 percent of sales, and $478.3 million in 2000, or 10.4 percent of sales. Nucor 2000 Form 10-K. Steel Dynamics reported operating profits of $65.17 million in 1998, or 12.7 percent of sales, $88.75 million in 1999, or 14.3 percent of sales, and $105.4 million in 2000, or 15.2 percent of sales. SDI 2000 Form 10-K.

[5] "Chapter 11 filed by Gulf States Steel," *Business Journal* (July 2, 1999).

financially weakest U.S. steel companies" "overloaded with debt and top heavy with lucrative management salaries". [6]

Making matters worse, Gulf States suffered from the uncompetitive coil dimensions inherent to its archaic, narrow hot strip mill. The mill produced narrow, 54 inch wide sheet,[7] while its integrated competitors had rolled steel 80 inches wide since the 1960s, and most customers prefer the greater efficiency such widths provide -- wider, heavier coils do not have to be changed as often during processing. Its inadequate caster produces seven inch thick slab, which results in relatively small coils. Gulf State's average coil weight of 16,000 pounds is no match for those of its integrated competitors, such as Inland with an average coil weight of 47,000 lbs., or its minimill competitors, with average coil weights in the 60,000 lb. range. Further reducing productivity was the mill's relatively feeble 10,000 horsepower motor, which results in an annual capacity of only 1. 1 million tons, compared to the 47,000 horsepower rolling mill at Inland which is rated at 3.8 million tons annually.

Gulf States Steel's narrower widths forced it to compete more directly with the new, far more efficient Greenfield minimills, which produce sheet in widths of 60 inches and narrower. Intensifying minimill competition contributed directly to Gulf States' demise when Nucor commissioned a new plate minimill in nearby Hertford County, North Carolina in September 2000, the very month Gulf States ceased operations, and IPSCO commissioned another new plate minimill in Mobile, Alabama on April 25, 2001. These new minimills were widely

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6 "Chapter 7 Liquidation Sinks Gulf States Steel," *Steelabor Online*, <<www.uswa.org>>.

7 *Iron and Steel Works of the World* (Surry, England: Metal Bulletin Books, 1998), at 550.

expected to put Gulf States out of business,[8] and could only have made Gulf States Steel's creditors all the more hesitant to extend additional loans to the troubled steelmaker. The Emergency Steel Loan Guarantee Board rejected Gulf States Steel's application for a $130 million loan guarantee, forcing it into bankruptcy, in part because the company could not cut costs sufficiently to regain its competitiveness.[9]

Geneva Steel

Geneva Steel's bankruptcy on February 1, 1999 resulted primarily from unfavorable credit arrangements, poor management, and an ill-conceived location. During its bankruptcy proceedings, Geneva Steel admitted in a motion that "the primary long-term financial problem for Geneva is the crushing interest burden from outstanding bonds."[10] The court appointed examiner confirmed this view, attributing Geneva's losses over the three years leading up to its bankruptcy to: interest payments on senior notes, depreciation and write-downs of impaired assets, extraordinary costs incurred in 1996 due to power failures throughout Utah in 1996, and productivity disruptions resulting from the installation of new equipment in 1997 and 1998.[11]

In addition to its financial straightjacket, Geneva also suffers from the general perception among customers that its products are of poor quality and its customer service wanting. When

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8 *See, e.g*. "New players weaken plate market," *American Metal Market* (Jan. 2, 2001) (a major midwest service center opined that Nucor an Ipsco would push Gulf States out of the market); "Import dip seen as helping plate market," *American Metal Market* (December 31, 1999) (several sources believed Nucor and Ipsco's new plate mills would force Geneva Steel and Gulf States Steel out of the market.).

9 "Gulf States Steel shuts down," *New Steel* (September 2000)("The company needed to show the loan board it could cut costs further.").

10 Debtor Geneva Steel Company's Response to Objections to Motion for Order Authorizing Secured Credit, filed Feb. 22, 1999, at 7, *In re: Geneva Steel Co*., No. 99-21130-JHA (D. Utah 1999).

11 *Id.*

the mill that is now Geneva Steel was owned by United States Steel, all production was internally consumed at other United States Steel mills, so that when the mill was sold in 1986, it possessed no marketing or customer service departments of its own. What has evolved since that time can barely pass for marketing or customer service, according to the testimony of Barry Davidson, manager of Tell Steel, a major Western steel service center:

> Geneva Steel is notorious on the west coast for its poor marketing practices and abysmal customer service. Geneva was so hapless that at times it ended up competing adjacent to its own secondary materials, which I believe could have been sold as primary material instead.[12]

Compounding this financial distress and managerial torpor is Geneva Steel's location at the foot of a range of picturesque mountains, where it was safe from bombing in World War II, but is now far from customers, waterways, or sources of raw materials. Thus, Geneva's material costs, and shipping costs, are far higher than that of its competitors, especially California Steel Industries and Oregon Steel, which are located near both customers and waterways.

On announcing Geneva Steel's emergence from bankruptcy on January 3, 2001, Joseph A. Cannon, chairman and CEO, Geneva Steel, stated: "We believe that the {reorganization} plan can achieve our stated objectives and position Geneva as a strong competitor...it has allowed the Company to address many of the financial issues that made us vulnerable to market

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[12] Declaration of Barry Davidson, Cut-to-length plate (Mar. 5, 1999).

disruptions."[13] Geneva Steel's press release elaborated that "The Plan significantly reduces Geneva's debt burden and provides additional liquidity.[14]

Acme Steel

Acme Steel's bankruptcy on September 28, 1998 resulted more from its own thwarted ambitions than anything else. The company boldly chose to create the world's first "mini-grated" mill by constructing a new thin-slab flat-compact strip mill ("CSM") of the kind used by Greenfield minimills adjacent to its integrated steelmaking facility, replete with blast furnace and BOF. Given the inefficiency of Acme's antiquated ingot-casting facilities, the new CSM was expected to reduce Acme's costs be 19 percent, or $70 per ton, and reduce the time required to transform steel into sheet and strip products from 10 days to 90 minutes.[15]

Unfortunately, ramp up took much longer than expected, as the mill struggled to produce specialty products on equipment that had previously only been used for commodity grades. In addition, a new annealing line at Acme's joint venture NACME was delivered over a year late, creating costly bottlenecks, and more disgruntled customers.[16] According to an affidavit filed by Edward P. Weber Jr., Acme's Vice President, General Counsel and Secretary, in support of Acme's bankruptcy petition:

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13 Press release, "Geneva Steel Emerges from Chapter 11 Bankruptcy," January 3, 2001, <<www.genevasteel.com>>.

14 *Id.*

15 Affidavit of Edward P. Weber, Jr. In Support of First-Day Orders, filed September 29, 1998, *In re: Acme Metals Inc. et. al.*, Case No. 98-2179 (D.Del.1998), at ¶23 ("Weber Affidavit").

16 "Lucenti resigns as Acme Steel's president," Iron *Age New Steel* (Sept. 1997) at 9.

> {T}he new facility has been affected by a number of factors which have prevented it from achieving its optimal production capability, operation cost efficiencies and planned product mix goals. Among these factors are as follows: a higher than expected rate of unplanned delays; a slower than expected improvement in material yield performance (raw liquid steel to finished steel coils); delays in ramping up slitting operations at the NACME facility...; and a substantial reduction of its average selling price per ton for sales to external customers due to competitive pressures and a substantial reduction in orders from its traditional higher margin niche customers..."[17]

"Acme ships the most challenging product mix a compact strip mill has faced," observed one Iron Age New Steel article, "It's no surprise that the world's first thin-slab caster fed by blast furnace/BOF steel has been slow to start up ... Meanwhile, Acme Steel has been losing money."[18]

Acme's widening losses resulted largely from lost customers, including the two largest, as deliveries became unreliable.[19] As stated in the Weber affidavit: "The loss of orders from niche customers has been due, principally, to the delivery performance for these products caused by the slow ramp-up of the new facility and the NACME facility slitting capabilities...It was by targeting such special markets that the debtors were able to differentiate themselves from their competitors."[20] Shipments of specialty grades of steel fell from 60 percent of shipments before the new mills start-up, to 20 percent at the end of 1997, rising only to 39 percent at the end of

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17 *Id.*

18 Bryan Berry, "Starting up the world's first," Iron Age *New Steel* (Sept. 1998), at 44 provided in Exhibit 4Q.

19 "Bennett Oversees Conversion of Acme Steel," *Metal Center News* (Oct. 1997).

20 Weber Affidavit at 23.

1998.[21] Compounding these losses was the need to expensively run an antiquated rolling mill simultaneously with the new Mill.[22]

The Weber affidavit only discusses imports in context of "increasingly intensive competition" from all competitors, including integrated producers and minimills. The affidavit states:

> "Recent improved production efficiencies and new minimill capacity also have begun to increase overall production capacity in the United States. Also, over the last decade, a number of U.S. integrated steel producers have gone through bankruptcy reorganization, resulting in somewhat reduced capital costs for these producers, and permitting them to price their steel products at levels below those which they could otherwise have maintained."[23]

Acme Steel itself now stands poised to emerge from bankruptcy with reduced capital costs, prepared to reap the full benefits of its low cost "Minigrated" operations. Acme continues work on its reorganization plan, and WCI continues to investigate the possibility of purchasing Acme Steel out of bankruptcy.[24]

Trico Steel

Trico Steel's bankruptcy on March 27, 2001 resulted almost inevitably from a succession of mechanical malfunctions, failures, and even an explosion, that have beleaguered the poorly-designed mill from its inception in April 1997. The mill's joint venture partners -- LTV,

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[21] Steel unit hurts Acme result," *American Metal Market* (Oct. 2 8, 199 7), at 8; Acme winning back customers, ramping up Nacme, selling coke," *New Steel* (Oct. 1998), at 26-28, provided in Exhibit 4R.

[22] "Lucenti resigns as Acme Steel's president," *Iron Age New Steel* (Sept. 1997) at 9.

[23] Weber Affidavit at 25.

[24] "WCI's offer for Acme hits snag," *New Steel* (March 2001).

Sumitomo Metals, and Corus Steel (nee British Steel) -- had chosen to use an untested technology, designed to roll slabs twice as thick as conventional minimills for coils with a smoother surface.[25] The mill's start-up was hampered by a string of problems, including glitches with the EAFs and continuous casters,[26] until two of the mill's three transformers failed between November 1998 and January 1999.[27] With only one transformer, Trico limped along at 50 percent capacity, unable to operate its furnaces and strip mill at once.[28] The transformers were custom-made and would not be replaced until late August.[29]

But even with its transformers restored, the mill never performed to expectations. In December 1999, the furnace exploded, injuring four workers.[30] John Correnti, CEO of Birmingham Steel and a legendary minimill executive, was retained by a third party to investigate Trico's post-bankruptcy potential. He concluded that the mill continues to suffer three major shortcomings: 1) the roof of the EAF is too low, and continually gets burned, 2) the tunnel furnace heats slabs unevenly, and 3) the shape control is not good enough to satisfy shape-sensitive customers, which defeats the purpose of the mill's novel design.[31] Trico had never been able to roll high-strength, low-alloy steels at acceptable gauges, as hoped.[32]

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25 "LTV: Where did all the money go?" *The Plain Dealer* (April 1, 2001).

26 "Trico offers ailing Trico aid," *Crain's Cleveland Business* (March 8, 1999).

27 "Trico works to restart output," *American Metal Market* (Jan. 28, 1999).

28 "Trico faces long struggle for power," *American Metal Market* (Feb. 9, 1999).

29 "Trico ready to install transformers," *American Metal Market* (Aug. 9, 1999).

30 "Explosion at Trico injures four," *American Metal Market* (Dec. 20, 1999).

31 "Busse, Correnti visit Trico," *New Steel* (May 2001).

32 "Producers assess odds of reviving bankrupt Trico," *American Metal Market* (Aug. 16, 2001).

Many observers blame incompetent management, unfamiliar with minimills, for Trico's shortcomings. One major customer opined, "That mill failed because it had three weak sisters trying to run it."[33] Keith Busse, CEO of Steel Dynamics Inc., one of the country's most successful minimills, has concurred, stating, "There were management problems here. They had three different parties all with diverse, bureaucratic, big-steel backgrounds that had not done anything in terms of minimills."[34] At its height, Trico employed 750 workers, or twice as many typically employed at similarly-sized minimills operated by SDI or Nucor.[35] John Correnti, too, concluded that "Trico is a mill that has problems."[36] Trico was the sick man of the minimill segment: In 2000, Nucor earned a record $478 million in operating profits, or 11.6 percent of sales, SDI earned a record $105 million, or 15 percent of sales, but Trico managed to lose ____ million. Given this litany of woes, imports were the least of Trico's problems.

LTV

An expose in the Cleveland *Plain Dealer* newspaper concluded that LTV's bankruptcy on December 29, 2000 had less to do with imports than with "a series of investments and acquisitions in pursuit of a strategy unique to the Cleveland company that went wrong."[37] LTV began 1998 a highly profitable company sitting on $500 million in cash, and with little debt,

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33 *Id.*

34 *Id.*

35 *Id.*

36 *Id.*

37 "LTV: Where did all the money go?," *supra*.; *see also* "Management by fiasco: In its rush to blame imports, LTV conveniently ignores its own bumbling," *Cleveland Scene*, March 22, 2001 (makes many of the same points as "LTV: Where did all the money go?").

having only emerged from bankruptcy in 1993. LTV then squandered its potential with a ruinous two-pronged strategy to enter the minimill segment, and expand into downstream businesses.[38]

As aforementioned, LTV's foray into the minimill sector was an unmitigated disaster, with Trico Steel collapsing under poor management and an irredeemably defective mill. LTV was left with $150 million in losses over four years and a $139 million write-off of its entire investment.[39] Compounding its mistake, LTV entered into another joint venture to construct a $150 million iron briquette facility in Trinidad and Tobago to supply Trico Steel with "alternative iron", as a scrap substitute.[40] Again, the facility was defective and fell behind schedule, having to be redesigned to remedy a problem with the conveyor belts feeding the briquette-making equipment.[41] Again, LTV abandoned the project in 2000, selling its stake for $2 million and writing off $84 million.

LTV's expansion into downstream businesses were fiascos on an even grander scale. Its purchase of VP Buildings, a fabricated steel buildings producers, for $188 million in 1997 did little harm, but also little good.[42] The acquisition of Copperweld Corp. and Welded Tube Corp. of America for $764 million in late summer 1999 was what pushed LTV over the edge. The

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38 Affidavit of Glenn J. Moran in Support of Chapter 11 Petitions and Requests for First Day Relief, filed December 29, 2000, *In re: LTV Steel Company, Inc*., Case No. 00-43866 (N.D.Ohio), at ¶17 (describing LTV's post-bankruptcy strategy)("Moran Affidavit").

39 "LTV: Where did the money go?", *supra.*

40 *Id.*

41 *Id.*; *see also* Moran Affidavit, at ¶21(b) ("The facility has experienced significant startup problems....").

42 *Id.*

acquisition cost more than the market value of LTV at the time, and analysts complained that LTV had overpaid by $200 million.[43] Worse, LTV had sold $275 million in high interest bonds to finance the acquisitions, saddling the company with huge interest payments.[44]

As its investment strategy collapsed, LTV confronted problems typical of most integrated steel producers: crushing legacy costs, dependence on the automobile industry, and exposure to natural gas price hikes. Even after its first bankruptcy, LTV still faced $2 billion in pension and health care liabilities for 100,000 retirees and their dependants,[45] and its liability remains $500 million.[46] Indiana Harbor Works, LTV's largest facility, sells half of its output to the automobile industry, and orders slumped with auto sales in late 2000.[47] Concurrently, LTV's energy costs for Indiana Harbor soared from $3 million a month in early 2000 to $8 million a month in early 2001, as the price of natural gas spiked.[48] According to the plant's General Manager Robert Hennessy, "That's a huge burden. This energy issue is devastating to us."[49]

Industry analysts agree that LTV would have been able to weather these problems had it invested its money more wisely, in the steel business. "It was a total debacle," opines Leo Larkin, an analyst at Standard & Poor's, "If they had kept the cash, they would have survived."[50]

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43 *Id.*

44 *Id.*

45 *Id.*

46 Moran Affidavit, at ¶24(a).

47 "Flood of problems threatens U.S. steel industry," *Chicago Tribune* (Feb. 25, 2001).

48 *Id.*

49 *Id.*

50 "LTV: Where did the money go?", *supra.*

Charles Bradford, an industry analyst with Bradford Research, concurs that "{t}hey had no business buying these companies."[51] David McGregor, analyst at Midwest Research in Cleveland has observed that "{t}hey ran the company like a venture capital firm, not a steel company. They planted a lot of different seeds and then waited to see which would sprout."[52] Even LTV chairman William H. Bricker admitted in an interview in early 2001 after enumerating the company's failures -- bankruptcy, a CEO resignation, significant charges to cover failed investments -- that "{i}f you'd been making all the right decisions, you wouldn't have to do that."[53] Between its ill-conceived investment strategy, legacy costs, slumping auto sales, and soaring energy costs, LTV would have failed irrespective of imports.

Wheeling-Pittsburgh

Wheeling-Pittsburgh's bankruptcy on November 16, 2000 was pre-ordained by the brutal, 10 months strike suffered by the company between October 1996 and August 1997. The union's chief demand was the reinstatement of Wheeling-Pitt's old defined benefit pension plan, which had been replaced by a far less costly defined contribution plant when the company emerged from bankruptcy in 1986.[54] Major shareholders agreed that the low-cost defined contribution plan was essential if the company was to compete against non-union minimills.[55] Indeed, WHX's chairman Robert LaBow predicted that a fixed benefit plan would bankrupt the

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51 *Id.*

52 *Id.*

53 *Id.*

54 "Steelworkers strike Wheeling-Pittsburgh over pensions," *Iron Age New Steel* (Nov. 1996).

55 "Why this steel chief has such an iron will," *Business Week* (May 19, 1997).

company: "We're not giving them a defined benefit plan. It busted the company once and it will bust it again."[56]

The chairman's words were prescient. Wheeling-Pittsburgh caved in to its union's demands, and reinstated the defined benefit pension plan, immediately driving up its labor costs by three dollars an hour.[57] But increased labor costs were just one of many strike repercussions that set Wheeling-Pitt on a course for bankruptcy. First, the union only agreed to 850 jobs cuts in exchange for an exorbitant severance package -- each employee would receive either $25,000 to $35,000 in cash of a $400 per month stipend.[58] Second, Wheeling-Pitt agreed to reopen three aging, inefficient, loss-making facilities.[59] Third, the strike prompted the exodus of 57 key managers,[60] and poisoned labor-management relations almost irrevocably.[61] Richard Fruehan,

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56 "WHX says strike could mean Co.'s end," *Reuters Financial Service* (Jan. 21, 1997); *see also* "Steel Chief: Union will 'never' get benefit plan," *The Charleston Gazette* (Dec. 11, 1996).

57 "Strike ends at Wheeling-Pittsburgh," *New Steel* (Sept. 1997); "Steelworkers strike Wheeling-Pittsburgh over pension," *supra*. (defined contribution plan gave W-P $3 per hour cost advantage).

58 "USW local presidents approve W-P pact," *Pittsburgh Post-Gazette* (Aug. 4, 1997); "Strike ends at Wheeling-Pittsburgh," *supra*.

59 "USW local presidents approve W-P pact," *supra*.; *see also* "Layoff terminates plant, not workers," *Intelligencer*, Wheeling, WV (May 15, 1997).

60 "Fewer delays, improved morale at the hot-strip mill," *New Steel* (July 2000) (high level of retirements forced Wheeling-Pitt to hire inexperienced employees, shift existing employees into unfamiliar jobs); "Wheeling-Pittsburgh shuts down plants," *New Steel* (May 1997).

61 "Wheeling-Pitt bankruptcy provokes anger, despair at industry's decline," *AP State & Local Wire* (Dec. 22, 2000) (some workers blame Ronald LaBow, target of bitter complaints during strike, for company's predicament); "Off to work they go," *Wheeling News Register* (Aug. 13, 1997); "Strike's fallout still felt," *Charleston Daily Mail* (Oct. 1, 1997) (USW representative: "There's so much hatred in the mills right now, it's incredible.")

director of the Center for Iron and Steelmaking at Carnegie-Mellon, predicted, "This will be a more difficult strike to come back from than any of the other ones."[62]

Wheeling-Pittsburgh was in no position to withstand the increased costs and lower productivity resulting from the strike. Charles Bradford recently offered a scathing assessment of the company's operations: "It's pretty clear this company with the labor force and attitudes involved cannot be reorganized. It should be liquidated. It's a high-cost producer with relatively poor facilities in a competitive market." Other analysts have observed that the company has done poorly even in the best of steel markets due to underutilized, outdated equipment.[63] In fact, WHX, Wheeling-Pittsburgh's corporate parent, has been attempting to unload Wheeling-Pittsburgh since the strike, either through a merger with Weirton, or a forced takeover by Bethlehem Steel.[64] WHX itself has recognized for years that Wheeling-Pittsburgh's future was grim, regardless of imports.

Heartland Steel

Flat-rolled steel producer Heartland Steel, which filed for bankruptcy on January 24, 2001, experienced terrific startup delays. In its own bankruptcy documents, Heartland's President and CEO, Harold L. Coker, Jr., stated that Heartland "suffered several significant delays with respect to the production of first saleable coil from its processing line…[t]he delay in

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62 "Heavy trading day in W-P stock," *Intelligencer*-Wheeling, WV (Aug. 2, 1997).

63 "Making up to lay off: Details of Weirton/Wheeling-Pitt Merger point to significant reductions," *Pittsburgh Post-Gazette* (July 21, 1999).

64 "WHX chief says he wants to dump steel in talks with Weirton," *AP State & Local Wire* (Jul. 22, 1999); see also "Steel giant bolsters plan to block any takeover attempt," *Business Dateline* (Dec. 31, 1999) (WHX purchased 1.6 percent of Bethlehem Steel in possible "Pac Man offense" to encourage Bethlehem to acquire Wheeling-Pitt).

delivery and production of first saleable coil had a major impact upon the [company's] production. It necessarily pushed back a project completion date of June 30, 2000, which placed [Heartland] in covenant default with its lenders. Delay also caused the need for $25 to 30 million of additional working capital." Coker also noted that Heartland experienced significant delays in the implementation of its information systems, which thereby delayed the startup and commissioning of every processing line. "[I]nstead of experiencing a normal three to four-month period to debug the new systems, [Heartland] experiences a much longer ramp up period as software was being written and installed after startup."[65]

Once Heartland began production, the company faced regional domestic overcapacity of cold rolled steel production. The company was unable to compete and eventually was forced to file for bankruptcy.[66]

Qualitech Steel

Qualitech Steel, a special bar quality producer from Pittsboro, Indiana, filed for Chapter 11 protection on March 24, 1999, just one year after its 1998 startup. A group of investors purchased the mill after the bankruptcy filing and operated it for a year before shutting down operations in December 2000. According to Gordon Geiger, former chairman and CEO of Qualitech, the company was plagued with "design mistakes and equipment failures."[67] After its

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65 Emergency Motion for Order: (1) Granting Interim Authority to Use Cash Collateral; and (2) Schedulign and Establishing Deadlines Relating to a Final Hearing; Memorandum of Points and Authorities and Declarations of Haro ld L. Coker, Jr., David G. Walsh, Rober Schlegel, and Bernard Douton in Support Thereof, filed January 24, 2001, *In re: Heartland Steel, Inc*., Case No. 01-80081 (S.D.Indiana), at pages 2-4 of the Declaration of Harold L. Coker, Jr.

66 Annual Report (SEC form 10-K) submitted by Huntco Inc. on June 18, 2001, at page 3.

67 "Avoiding startup stumbles," *New Steel*, February 2001.

slower-than-expected startup, the plant experienced difficulties with its finishing end and deburring equipment and never reached operating capacity. [68] [69] [70]

Laclede

Laclede Steel, which is headquartered in St. Louis, Missouri, has filed for Chapter 11 bankruptcy twice since 1998. The bar and pipe producer filed its first Chapter 11 petition in November 1998. While the company blamed imports at that time, the company had not turned an annual profit since 1994.[71] In addition, part of its liabilities stemmed from an underfunded pension fund that required an additional $72 million of investment.[72] After reorganizing the company, Laclede emerged from this first round of bankruptcy at the end of 2000.[73]

Less than six months later, on July 27, 2001, Laclede filed for a second round of Chapter 11 bankruptcy protection, due largely to the economic slowdown and high energy costs.[74] At that time, Laclede closed its melt shop and 14-inch bar mill, both located at its Alton, Illinois facility, and put the facility up for sale. The company is still operating its pipe division in Fairless Hills, Pennsylvania but is also offering that facility for sale.

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[68] "Many happy returns," *New Steel*, December 1999.

[69] "Avoiding startup stumbles," *New Steel*, February 2001.

[70] "Republic Technologies files for bankruptcy," *New Steel*, May 2001.

[71] "Laclede Steel files for Chapter 11," *New Steel*, January 1999.

[72] Ibid.

[73] "Laclede shuts down mill, enters bankruptcy again," *New Steel*, August 2, 2001.

[74] Ibid.

Republic Technologies

Republic Technologies, a hot rolled and cold finished bar producer headquartered in Fairlawn, Ohio, filed for Chapter 11 bankruptcy on April 2, 2001. The company's troubles began in 1999; in its third quarter of 2000 SEC filing, the company noted that it had "substantial indebtedness and is highly leveraged" due to the 1999 reorganization in which Republic Technologies gained 70 percent control of the USS/Kobe mill in Lorain, Ohio.[75] In addition, Republic Technologies experienced a large drop in production due to the sluggish economy generally and a slowdown in the automotive industry specifically. The company's spokesman was noted as stating that imports did not play an important role in Republic Technologies' bankruptcy filing.[76]

CSC

CSC Ltd., a specialty steel bar producer from Warren, Ohio, filed for Chapter 11 bankruptcy on January 12, 2001 and has phased out operations since that time. The company, which was formerly known as Copperweld Steel when it operated under bankruptcy protection from 1993 to 1995, suffered from financial problems after investing almost $100 million in plant modernizations. The company also suffered from "industry overcapacity."[77] [78]

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75 "Republic Technologies files for bankruptcy," *New Steel*, May 2001.

76 "Steelmaker files for protection," *timesonline.com*, April 3, 2001.

77 "Potential seen for new life at idled CSC mill," *American Metal Market*, August 6, 2001.

78 "Firm works on CSC buyout," *The Vindicator*, August 6, 2001.

GST Steel

GS Industries, the parent company of Kansas City-based GST Steel and Georgetown, South Carolina-based Georgetown Steel Corporation, filed for bankruptcy on February 7, 2001. At the time of the filing, the Kansas City mill produced wire rod, grinding balls and rods, while the Georgetown mill produced wire rod.

High labor costs, and rising energy costs, [79] played the major role in the company's bankruptcy filing. According to GS Industries, GST Steel had not been profitable for three years prior to the bankruptcy filing. The GST Steel plant, since closed, was a higher cost plant than the Georgetown facility due to the "better" retiree medical benefits and pensions the Kansas City workers were granted after a two and one-half month strike in 1997 and the greater number of retirees the Kansas City plant supported due to its age. In fact, USWA representative Steve Morrow was quoted as stating that the Kansas City plant was "a higher-cost plant than Georgetown because of our retiree medical benefits and the pensions as a whole." The Georgetown facility has remained profitable.[80] [81]

Erie Forge & Steel

Erie Forge & Steel, a Pennsylvania producer of ship propulsion shafting, nuclear components, and other specialty steel products, filed for bankruptcy on December 22, 2000. The

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79 "GST Steel Co. to shut plant, put 750 in KC out of work," *The Kansas City Star*, February 7, 2001.

80 "GST Steel Co. to shut plant, put 750 in KC out of work," *The Kansas City Star*, February 7, 2001.

81 "Strike ends at GST," *New Steel*, July 1997.

company suffered from rising energy costs; it owes more than $1 million for its natural gas usage.[82]

WorldClass Processing

WorldClass Processing, a further processing plant in Ambridge, Pennsylvania, filed for Chapter 11 bankruptcy in December 1998 due to the costs incurred by defending the company against litigation initiated by two former executives. According to media reports, the original founder of WorldClass Processing, Matthew Botsford, Jr., unveiled plans in 1994 to construct a $450 million minimill adjacent to the plant. Botsford failed to obtain financing for the project and incurred $600,000 in expenses.[83] Both were ousted in November 1995 along with the company's COO by the directors of WorldClass Processing.

Botsford and the COO sued the company for reinstatement and at least $525,000 in severance pay, while Botsford sought to regain control of the company. In so doing, he took the development company WorldClass Industries (which was related to WorldClass Processing), of which he was the only shareholder, into Chapter 11 bankruptcy in March 1997 to regain control over a patent that WorldClass Processing used to pickle steel. This patent, which was WorldClass Industries' only asset, was valued at around $20 million in the bankruptcy filing.[84]

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82 "High gas prices fuel steel market meltdown," *goerie.com.*

83 "Steel exec hopes this Leo roars like lion," *American Metal Market*, January 26, 2001.

84 "Worldclass Processing's Revenues Set Record as Founder Widens Legal Fight With Company," *Pittsburgh Post-Gazette*, February 28, 1997.

[85] Ultimately, the court ruled against Botsford and the COO.[86] WorldClass Processing was purchased by Samuel Manu-Tech Inc. in June 2000 and emerged from bankruptcy.

Al Tech Specialty Steel Corporation

Stainless products producer Al Tech Specialty Steel Corporation, a subsidiary of South Korean producer Sammi Steel Cos. Ltd., filed for Chapter 11 bankruptcy protection on December 31, 1997. The company's COO was quoted as acknowledging that Al Tech's filing was "not surprising in light of the March 1997 bankruptcy filings of our parent and affiliate Sammi Steel in South Korea…and the serious economic situation currently taking place in South Korea."[87]

Al Tech emerged from bankruptcy as Empire Specialty Steel in November 1999, but the company subsequently ceased operations on June 29, 2001. Empire's operation manager was quoted as blaming the shutdown on numerous non-import related factors, such as rising energy costs, health care expenses, raw material supply interruptions, and a prolonged recession in the manufacturing sector .[88]

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85 "Worldclass Industries seeks Chapter 11 shelter," *Pittsburgh Business Times*, March 10, 1997.

86 "Steel exec hopes this Leo roars like lion," *American Metal Market*, January 26, 2001.

87 "AL Tech files for Chapter 11 reorganization," *Capital District Business Review (Albany)*, December 31, 1997.

88 "Empire Specialty operations come to halt," *American Metal Market*, July 2, 2001.

Most of these companies will emerge from bankruptcy much stronger than before, and better able to compete with both foreign and domestic competitors

The perception that steel industry bankruptcies translate into shuttered factories and thousands of layoffs is no less fallacious than the perception that the bankruptcies stem from import competition.[89] In fact, just the opposite is true; The whole point of Chapter 11 bankruptcy protection is to provide troubled companies with a fresh start and to ensure the continued use of their productive assets.[90] Most of the steelmakers currently in bankruptcy will emerge, their capacity more or less intact, with vastly reduced debt-loads, practically absolved of their past mistakes. According to an analysis performed by PaineWebber, "reconstituted" integrated mills -- mills having emerged from bankruptcy -- enjoy operating costs that are 10 percent lower than established integrated mills, due to lower taxes, union wage and benefit concessions, and lower depreciation expenses.[91]

Company after company has publicly touted the anticipated benefits of their reorganization under bankruptcy protection:

- Wheeling-Pittsburgh's press release announcing its bankruptcy filing stated: "The Chapter 11 filing will allow Wheeling-Pittsburgh to reduce its debt, which will

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89 *See, e.g.* Hot-Rolled Steel Products Transcript at 24 (Representative Visclosky)("To talk about the job loss, I would also want to talk about the problem that is faced by 33,380 people, 33,380 U.S. citizens, who now also happen to work for companies that are in bankruptcy and who have gone into bankruptcy from just November of last year.").

90 *See* Epstein, David G., Steve H. Nickels, James J. White, *Bankruptcy* (West Publishing Co., 1992), at 14 ("Chapter 11, like Chapter 13, usually involves rehabilitation rather than liquidation.); *see also Bankruptcy Overview: Issues, Law and Policy*, Third Edition (American Bankruptcy Institute, n.d.)("A major rationale for business reorganizations is that the value of a business as an ongoing concern is greater than it would be if its assets were liquidated and sold. Generally, it is more economically efficient in the long run to reorganize than to liquidate, because doing so preserves jobs and assets."), <<abiworld.org>>.

91 PaineWebber, *Steel Strategist #24*, June 1998, at 241.

make the company more attractive for outside equity and improve the long-term viability of operations."[92]

- On Acme Steel's bankruptcy announcement, Stephen D. Bennett, president and CEO, stated: "Through the benefits of the Chapter 11 process, we believe we can take full advantage of the operational improvements already in place and also restructure our long-term debt obligations to ensure Acme Metals viability."

- Joseph F. Lapinsky, president and CEO of Republic Technology International, stated on his company's bankruptcy: "We intend to complete this reorganization as soon as possible, and to emerge stronger than ever...Chapter 11 will give us the opportunity to restructure these {financial} obligations."[93]

As stated by Edward P. Weber Jr., Acme Steel's Vice President, General Counsel and Secretary, bankruptcy reorganization will grant these producers "somewhat reduced capital costs...permitting them to price their steel products at levels below those which they could otherwise have maintained."[94] Bankruptcies will ultimately result in a lower cost, more competitive domestic steel industry.

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92 Press release, "Wheeling-Pittsburgh Steel Corporation files for Chapter 11; company to continue normal operations during financial restructuring," November 16, 2000, <<www.wpsc.com>>.

93 Press release, "Republic Technologies International announces plans to reorganize under Chapter 11," April 2, 2001, <<republictech.com>>.

94 Weber Affidavit at 25.

EXHIBIT 6

Comparison of Japanese Respondents' Arguments to the ITC and USTR

Most Information and Argumentation Submitted to the USTR Was Formerly Submitted to the ITC

The only new information and argumentation submitted to the USTR by Japanese Respondents on January 4, 2002 was in response to developments subsequent to the ITC's investigation. The following table highlights these developments and their reflection in the Japanese respondents' submission:

New Development	**Response in Japanese Respondents' USTR Submission**	**Page(s)/ Exhibit(s)**
U.S. Government report for OECD steel talks, dated Dec. 17, released on *Inside U.S. Trade* website	Cited report as evidence that Administration is aware that the domestic industry's condition results from factors having nothing to do with imports, including legacy costs and excess capacity. These same factors were extensively briefed by Japanese respondents before the ITC.	II, 22, 28
ITC determination released	Critiqued like product and serious injury findings drawing on arguments raised before the ITC	2-4
July-October 2001 import data released	Decline in import volume over POI updated from decline highlighted before the ITC	4
CITAC study released Dec. 19	Highlighted the large net job losses from a high tariff remedy predicted by CITAC's economic analysis	5, 14
Okun Quota Recommendation	Compared Okun quota baseline with 1998-2000 baseline, analyzed restrictiveness, and analyzed in light of AD/CVD orders	8, 14-15, Ex. 7-8
U.S. Steel consolidation proposal made public in December	Analysis of antitrust concerns raised by U.S. Steel proposal if accompanied by import-preclusive tariff remedy	9-11, Ex. 4
Institute for International Economics policy brief released Jan. 2002	Highlighted conclusion that high tariff would cost consumers four times benefit to producers	14
USTR invitation for product exclusion requests	Argued for requested product exclusions, whereas the ITC expressly discouraged any discussion of	17-18, Ex. 6

New Development	Response in Japanese Respondents' USTR Submission	Page(s)/ Exhibit(s)
exclusion requests	exclusions.	6
Commissioner tariff remedy recommendations	Used *Line Pipe* example to demonstrate import-preclusive impact of high tariff remedy	23, Ex. 9
OECD meeting in Paris held Dec. 17-18	Stressed promise of OECD talks in reducing steel overcapacity, and danger of their derailment by draconian remedy.	29-30
Slight sorting mistake caught in 1998-2000 quota allocation table submitted to ITC	Corrected -- affected allocation of cold-rolled quotas among top ten supplier countries only slightly.	Ex. 1
Japanese respondents' short supply proposal submitted to USTR on Dec. 19	Exhibit containing short supply proposal, which is more detailed than the arguments for an efficient short supply provision offered to the ITC	Ex. 3